



JACK DOYLE

MONROE COUNTY EXECUTIVE

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DOYLE OUTLINES USE OF TOBACCO SETTLEMENT PROCEEDS

County Executive Jack Doyle today submitted an outline of Monroe County's Tobacco Settlement proceeds to the county legislature.

Under a securitization plan, the County's future Tobacco Settlement Revenues were sold to the Monroe Tobacco Asset Securitization Corporation (MTASC). MTASC, in turn, has issued bonds, which are secured by the Tobacco Settlement Revenues. Through this sale, Monroe County has avoided dependence on risky, yearly tobacco settlement payments.

However, federal tax laws and regulations require that the proceeds of the securitization be applied to projects which have long reasonable expected economic lives; that they not be used to finance general operating expenses; and that the funds be committed and expended within a relatively short period of time. If these conditions are not met and followed, the Internal Revenue Service could withdraw the tax-exempt status of the bonds and impose other penalties.

"Monroe County's tobacco revenues represent a great opportunity to assist local taxpayers by reducing our county's debt burden," said Doyle. "Many from throughout the community are under the mistaken impression that the allocation of tobacco revenues can be used on virtually any project or program. The reality is that the use of these dollars is specifically dictated by federal regulating authorities -- including the Internal Revenue Service."

From these securitization proceeds, approximately \$83 million will be used for the paying off of existing bonds or other debts of the County.

In addition, \$2 million will be used to finance an open space program and the balance of revenues and interest earnings-- approximately \$61.6 million -- will be used to finance various capital projects.

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In light of the requirement to spend the proceeds within a relatively short period of time, it is essential that funding for the additional capital projects be committed only to projects already underway or which are expected to proceed to construction in the near future. Given these parameters, these projects would have to be well along in the planning and review process.

The use of the tobacco securitization proceeds will reduce the burden on local taxpayers by directly reducing county debt. To meet federal and other requirements, projects, which will be partially financed with a portion of the \$61.6 million, are as follows:

- The Jail expansion project – Tobacco Settlement Revenue sale proceeds of \$39 million will be used for this project.
- Monroe Community College Master Plan Improvements including the Public Safety Training Facility – Tobacco Settlement Revenue sale proceeds of \$2 million will be used for this project.
- Airport/Transportation Operation Center -- Tobacco Settlement Revenue sale proceeds of \$1.6 million will be used for this project.
- The Juvenile Justice Center -- Tobacco Settlement Revenue sale proceeds of \$15 million are expected to be used for this project.
- Tournament Soccer Complex – Interest earned on the Tobacco Settlement Revenue sale proceeds of \$4 million are expected to be used for this project.

The use of the proceeds from the sale of Tobacco Settlement Revenues to finance these capital projects will reduce the need for the County to issue debt for these projects and ultimately reduce the burden on local county taxpayers.

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